

Message Text

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ORIGIN ARA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-02 OPIC-03 SP-02

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DRAFTED BY ARA/LA/APU:JMSMITH:PR

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FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

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E.O. 11652: N/A

TAGS: EINV, AR

SUBJECT: PROBLEMS OF ITT ARGENTINE SUBSIDIARY CSEA

REF: BUENOS AIRES 8585

1. ITT OFFICIALS GUILFOYLE, SILVER AND GARDNER CALLED ON DEPUTY ASSISTANT SECRETARY BOWDLER FEBRUARY 4 TO APPEAL FOR ASSISTANCE RE GOA TREATMENT OF THEIR ARGENTINE SUBSIDIARY CSEA. IN VIEW OF ENTEL REFUSAL TO PAY DEBTS TO CSEA AND ABSENCE OF NEW ORDERS ITT SAID IT WELCOMED OCTOBER 17 ANNOUNCEMENT OF ARGENTINIZATION AND LOOKED FORWARD TO PROMISED DECREE TO APPOINT COMMISSION TO NEGOTIATE TERMS WITH CSEA. FINANCIAL SITUATION OF COMPANY HAS NOW BECOME DESPERATE, MAKING IT DIFFICULT REACH DECISION WHETHER TO REOPEN PLANT AT END OF HOLIDAY SEASON
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MARCH 1. COMPANY HAS ALREADY BEGUN LOSING HIGHLY SKILLED

PERSONNEL TO FIRMS IN OTHER COUNTRIES.

2. ITT REPS SAID THAT IN JANUARY 11 MEETING WITH GOMEZ MORALES IN NEW YORK THEY REQUESTED HIM TO EXPEDITE ISSUANCE OF DECREE AND ESTABLISHMENT OF COMMISSION TO (A) SETTLE OUTSTANDING CSEA-ENTEL DISPUTES, (B) NEGOTIATE ARGENTINIZATION, (C) DEVELOP PROGRAM FOR CONTINUED TRANSFER

OF ITT TECHNOLOGY TO CSEA. THEY ACKNOWLEDGED THAT THE COMPANY AND ITS TECHNOLOGY WERE NEEDED IN ARGENTINA AND SAID GOMEZ MORALES PROMISED DECREE WOULD BE ISSUED IN 8 TO 10 DAYS. THIS DID NOT COME ABOUT. UNLESS DECREE IS SIGNED WITHIN NEXT TWO WEEKS AND NEGOTIATING COMMISSION IMMEDIATELY ESTABLISHED IT WILL BE VERY DIFFICULT MAKE PLANS FOR REOPENING OF PLANT MARCH 1. ITT RECOGNIZES THAT IF PLANT DOES NOT REOPEN LABOR MAY FORCE GOA TO INTERVENE AND THAT CONFRONTATIONAL SITUATION COULD RESULT. ITT WOULD LIKE TO AVOID THIS, BUT CANNOT CONTINUE INDEFINITELY TO "THROW GOOD MONEY AFTER BAD." ITT REQUESTED USG ASSISTANCE IN AVOIDING CONFRONTATIONAL SITUATION.

3. IN MANNER AND AT LEVEL EMBASSY DEEMS MOST LIKELY TO BE EFFECTIVE, EMBASSY SHOULD INFORM GOA OF ITT VIEWS AS SUMMARIZED ABOVE AND STATE THAT USG BELIEVES THAT EARLY START OF NEGOTIATIONS IS DESIRABLE. PLEASE REPORT EMBASSY ACTION SOONEST. KISSINGER

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